MATERIAL CHANGE REPORT

PURSUANT TO

SECTION 85(1) OF THE SECURITIES ACT (BRITISH COLUMBIA)
SECTION 118(2) OF THE SECURITIES ACT (ALBERTA)
SECTION 84(1) OF THE SECURITIES ACT (SASKATCHEWAN)
SECTION 75(2) OF THE SECURITIES ACT (ONTARIO)
SECTION 73 OF THE SECURITIES ACT (QUEBEC)
SECTION 81(2) OF THE SECURITIES ACT (NOVA SCOTIA)
SECTION 76(2) OF THE SECURITIES ACT (NEWFOUNDLAND)

ITEM 1: REPORTING ISSUER

Nelvana Limited ("Nelvana")
Business Affairs
32 Atlantic Avenue
Toronto, ON M6K 1X8

ITEM 2: DATE OF MATERIAL CHANGE

August 19, 1998

ITEM 3: PRESS RELEASE

The attached press release was issued by Nelvana on August 19, 1998.

ITEM 4: SUMMARY OF MATERIAL CHANGE

Nelvana announced on August 19, 1998 the completion of the acquisition of 100% of the shares of Kids Can Press Ltd. ("Kids Can"), one of Canada's leading publishers of children's books. The shareholders of Kids Can will receive a total of $6.1 million at closing, of which 90% will be paid in cash, with the remaining 10% satisfied through the issuance of 19,818 Subordinate Voting Shares in Nelvana.

The North American children's publishing industry generates approximately $1.4 billion annually. The acquisition by Nelvana of Kids Can positions both companies for future growth in that sector and provides Nelvana with access to an important backlist of Canadian book titles, many of which are suitable for the development of future animated series and joint merchandising programs.

ITEM 5: FULL DESCRIPTION OF MATERIAL CHANGE

See attached press release which is hereby incorporated by reference.

ITEM 6: RELIANCE ON CONFIDENTIALITY SECTION OF THE ACT

Not applicable.

ITEM 7: OMITTED INFORMATION

Not applicable.

ITEM 8: SENIOR OFFICER - FOR FURTHER INFORMATION CONTACT:

For further information, contact:

Michael Hirsh, Co-Chief Executive Officer at (416) 588-5571, ext. 201.

ITEM 9: STATEMENT OF SENIOR OFFICER

The foregoing accurately discloses the material change referred to herein.

DATED at Toronto, Ontario this 21st day of August, 1998.

NELVANA LIMITED

Per: *J. A. Vandervelde*
Name: J.A. Vandervelde
Title: Vice-President, Treasury

IT IS AN OFFENCE FOR A PERSON TO MAKE A STATEMENT IN A DOCUMENT REQUIRED TO BE FILED OR FURNISHED UNDER THE ACT OR THIS REGULATION THAT AT THE TIME AND IN THE LIGHT OF THE CIRCUMSTANCES UNDER WHICH IT IS MADE, IS A MISREPRESENTATION.

NELVANA

Attention Business/News/Entertainment Editors:

NELVANA ACQUIRES LEADING CHILDREN'S PUBLISHER KIDS CAN PRESS

TORONTO, Aug. 19 /CNW/ - NELVANA Limited ("NELVANA") (TSE and ME: NTV) today announced it has completed the acquisition of 100% of the shares of Kids Can Press Ltd. ("Kids Can"), one of Canada's leading publishers of children's books, including the internationally-acclaimed Franklin(TM) property. This acquisition supports NELVANA's strategy of becoming an integrated family entertainment company with interests in production,
distribution, merchandise licensing and publishing.

Kids Can was previously a privately-owned company held by Valerie Hussey and Ricky Englander. Under the terms of the agreement, the shareholders of Kids Can will receive a total of $6.1 million at closing, of which 90% will be paid in cash, with the remaining 10% satisfied through the issuance of Subordinate Voting Shares in NELVANA priced at current market value.

Valerie Hussey will remain President and Chief Executive Officer of Kids Can, and has signed a multi-year employment contract with NELVANA. Ms. Hussey began her career over 25 years ago in educational publishing with Macmillan and Harcourt Brace in New York. She will be entitled to additional consideration, contingent upon the financial performance of Kids Can in the years 2000 and 2001. Following the transaction, Ricky Englander will remain with the company for a transition period of approximately 6 months, after which she will move on to pursue new opportunities. NELVANA will operate Kids Can as a wholly-owned subsidiary and will retain all existing employees of the company.

"This is a highly attractive strategic and financial acquisition for NELVANA," said Michael Hirsh, Co-Chief Executive Officer of NELVANA Limited. "Children's publishing is one of the most lucrative sectors of the publishing industries, worth over $1.4 billion annually in North America. The acquisition of Kids Can provides a solid base for future growth in this sector, and is an important step for us in building a more integrated family entertainment company."

About Kids Can Press

Kids Can is the largest Canadian-owned English language children's publisher, with solid links to both the trade and institutional markets. Kids Can books are broadly distributed through retail stores, book clubs, school and public libraries and specialty outlets. The company holds worldwide publishing and subsidiary rights to the majority of its properties which it actively exploits internationally. After 15 years of successfully licensing its books to American publishers, Kids Can launched its own U.S. publishing initiative last year, setting the platform for aggressive growth in that market.

Kids Can has a broad and growing backlist of over 250 children's titles, with a strong mix of both fiction and non-fiction categories. The company has an existing licensing relationship with NELVANA, through which NELVANA obtained production and merchandising rights to the highly successful and Gemini Award-nominated Franklin property, of which over 16 million books have been sold worldwide. NELVANA and Kids Can are currently developing several other properties, including the upcoming Elliot Moose, which has recently been produced in book format and is currently being developed for an animated television series.

Founded in 1973, Kids Can has experienced strong growth in recent years, with revenue reaching $8.5 million for the fiscal year ended January 31, 1998, a five year annual compound growth rate in revenue of approximately 21% from 1994 to 1998. The company expects revenue for the fiscal year ending January 31, 1999 to exceed $10 million.

Benefits of the Transaction

"This acquisition gives NELVANA access to an important backlist of Canadian book titles, many of which are suitable for future animated series development," said Patrick Loubert, Co-Chief Executive Officer of NELVANA Limited. "In addition to this new production pipeline, we will also have the opportunity to develop joint merchandising programs based on other properties and characters."

The transaction also provides Kids Can with access to a broader base of international markets through NELVANA's established worldwide distribution capabilities and existing merchandise licensing partners. The relationship will also provide Kids Can with additional publishing opportunities as NELVANA holds numerous publishing rights in its library.

"Joining forces with NELVANA is a logical progression for our company, and will provide us with access to the capital and distribution channels necessary to achieve our growth objective," said Valerie Hussey, President of Kids Can. "The creation of an integrated company is a significant milestone in the Canadian children's entertainment industry."

NELVANA Limited is internationally recognized for its children's and family production, worldwide distribution and merchandise licensing. Based in Toronto, the Company's animation production facilities are among the largest in the world. NELVANA has offices in Los Angeles, London, and Paris. NELVANA is traded on the Toronto and Montreal exchanges under the symbol "NTV".

/NOTE TO PHOTO EDITORS: A photo accompanying this release is available on the Canadian Press Photo Network/

For further information: Michael Hirsh, Co-Chief Executive Officer,
(416) 588-5571 x201; Sally Moyer Kent, Senior VP Finance and Chief Financial
Officer, (416) 588-5571 x103; Margo Raport, Director, Communications, 416) 588-5571 x249